

## Using Donor-Advised Funds For Making Charitable Contributions

A donor-advised fund (DAF) gives individuals a chance to support their favorite charities. However, the rules for a DAF are different than traditional charitable gifts. It allows the account holder to store their funds for a certain amount of time before distributing the funds the donor's preferred charities.





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### Donor-Advised Funds Basics

A DAF allows people to give a portion of their money, assets, or property to charity in order to receive a tax deduction immediately. However, the donor isn't required to decide on their charity at the time of donation. Instead, the account is managed by a nonprofit institution or an eligible charitable organization to satisfy IRS requirements. This organization will typically charge a fee to account holders in exchange for managing funds and processing charitable grant requests.



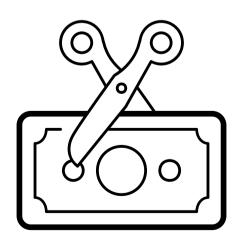




# How to Use a Donor-Advised Fund

When the assets are in the DAF, the individual holder has the option to invest in various portfolios or funds that may grow the investment over time. As a result, the DAF may allow the donor to give even more to charity.





Some people will use a DAF in lieu of setting up a trust for a particular organization while others will front-load their account to give themselves enough time to grow their assets. Typically, individuals will set up a DAF during a high-income year in order to reduce the tax due on their income and support preferred charities over time.

# How to Donate to a Donor-Advised Fund



If you choose to open a DAF, the first step is to choose which organization you want to invest with. Each will have their own fees and restrictions. Account holders then transfer assets into the DAF. This can be anything from cash, securities, real estate, bonds, or other assets. The funds inside the account are entirely tax-free, which means they can continue to grow unimpacted by any future tax law changes.

### Using Your Discretion



Grant requests can be submitted to withdraw funds and have them sent to the donor's charities of choice. DAF holders are not technically required to donate the funds to a charitable organization at all though it is a best practice to distribute a reasonable portion of the DAF account each year.

### Donor-Advised Fund Tax Information

Any contributions made to a DAF are classified as a 501(c)(3) gift. The IRS allows the individual to give up to 50% of their Adjusted Gross Income in cash and up to 30% in other types of assets(1). Liquid gifts such as cash are taken at market value, but illiquid investments will need to be evaluated by an independent appraiser for the exact monetary value.

Individuals who want to exercise specific investment strategies will need to check with the organization managing their account. Each one will have their own list of approved investment options.

 $(1) \ https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contribution-deductions$ 

There is a lot to consider when it comes to getting the most out of a DAF. However, it may be a good choice for individuals who want to maximize their charitable donations as well as their own investment portfolio.

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